

Message Text

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E. O. 11652: GDS

TAGS: BGEN, IN

SUBJECT: WESTINGHOUSE STEEL PLANT SALE PROSPECTS FADE

DEPT PASS COMMERCE AND DEFENSE

SUMMARY. WESTINGHOUSE INFORMED THE EMBASSY THAT BELATED GOI
MINISTRY OF DEFENSE RECOGNITION OF BASIC ECONOMIC FACTORS
APPARENTLY PRECLUDE THE SALE OF ITS SUPERALLOY PLANT.
WESTINGHOUSE,
HOWEVER, IS STILL REASONABLY OPTIMISTIC OVER ITS PROSPECTS TO
SELL ITS METAL PROCESSING TECHNOLOGY. END SUMMARY.

1. JAN DROBOT, VICE PRESIDENT, WESTINGHOUSE TRADING COMPANY
(ASIA) LTD. INFORMED THE COMMERICAL COUNSELOR ON APRIL 24
THAT THE HERETOFORE PROMISING PROSPECTS FOR THE SALE OF THE
WESTING-
HOUSE SUPERALLOY PLANT TO INDIA ARE FADING FAST. WESTINGHOUSE
HAS OTHER OPTIONS AVAILABLE TO IT AS THERE REPORTEDLY IS ACTIVE
INTEREST IN THE SUBJECT PLANT EVINced BY PROSPECTIVE BUYERS
IN SINGAPORE, SOUTH KOREA AND BRAZIL. RATHER THAN CONTINUE
FURTHER NEGOTIATIONS IN INDIA, WESTINGHOUSE WILL ENDEAVOR TO
SELL THE PLANT ELSEWHERE.

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2. THE LAST SERIES OF NEGOTIATIONS REVEALED MANY INADEQUACIES IN THE GOI MINISTRY OF DEFENSE. ACCORDING TO WESTINGHOUSE THE MINISTRY LACKS ELEMENTARY COMPREHENSION OF THE COMPLEXITIES INVOLVED IN THE PLANNING, CONSTRUCTION AND OPERATION OF A COMPLICATED METAL PROCESSING PLANT INVOLVING HIGHLY COMPLEX TECHNOLOGY.

3. COMPELLED TO EXAMINE AND CONSIDER A STEP-BY-STEP PROCEDURE THE MINISTRY'S "SO-CALLED EXPERTS" REALIZED "FOR THE FIRST TIME" THAT SEVERAL YEARS WOULD BE REQUIRED BEFORE THE SUPERALLOY PLANT COULD BE PLACED INTO PRODUCTION. UNDER NORMAL INDIAN OPERATIONAL METHODOLOGIES THE GOI WOULD REQUIRE ABOUT A YEAR FOR ARCHITECTS AND ENGINEERS TO DRAW UP THE PRELIMINARY SPECIFICATIONS FOR THE CONSTRUCTION OF THE PLANT SITE (ASSUMING THAT A SITE WITH ADEQUATE FACILITIES WAS AVAILABLE). TENDERS WOULD HAVE TO BE INVITED, EXAMINED AND A DECISION MADE AS TO WHICH INDIAN ENGINEERING GROUP COULD UNDERTAKE THE CONSTRUCTION, A PROCESS THAT, AT BEST, WOULD INVOLVE ANOTHER SIX MONTH'S DELAY. CONSTRUCTION UNDER INDIAN AUSPICES WOULD REQUIRE AT LEAST TWO MORE YEARS. ANOTHER YEAR WOULD BE NEEDED TO COMPLETE INSTALLATION OF THE WESTINGHOUSE EQUIPMENT. IN BRIEF, THE MOST OPTIMISTIC INDIAN FORECAST WAS THAT THE PLANT COULD BE IN OPERATION BY 1980 (WESTINGHOUSE FEELS THAT 1982 WOULD BE A MORE REALISTIC ESTIMATE).

4. WESTINGHOUSE WAS INFORMED THAT IN VIEW OF THE FOREGOING THE GOI MINISTRY OF DEFENSE IS HESITANT ABOUT REQUESTING CABINET APPROVAL WHEN THE GOI IS EXPERIENCING DOMESTIC ECONOMIC DIFFICULTIES. THE MINISTRY BELATEDLY RECOGNIZES THAT THE CABINET WOULD NOT WANT TO ACCEPT ANY LONG-TERM COMMITMENT INVOLVING SUBSTANTIAL FOREIGN EXCHANGE PAYMENTS WHEN IT MAY BE FACED WITH MORE URGENT NEEDS OF A FAR GREATER PRIORITY, E. E. THE POSSIBLE NECESSITY TO PURCHASE ADDITIONAL FOOD GRAINS FROM ABROAD.

5. THE WESTINGHOUSE METAL PROCESSING TECHNOLOGY (APART FROM THE PURCHASE OF THE WESTINGHOUSE SUPERALLOY PLANT) WOULD APPARENTLY CONTINUE TO BE NEEDED AND DESIRED BY THE GOI MINISTRY OF DEFENSE. IT SEEMS THAT THE MINISTRY IS PREPARED TO NEGOTIATE FOR A PURCHASE OF THE TECHNOLOGY. WESTINGHOUSE, IN TURN, IS PREPARED TO ACCOMMODATE THEM -- IF THE PRICE IS RIGHT. WESTINGHOUSE HAS NO ILLUSIONS ABOUT ANY IMMEDIATE SALE AS IT IS WELL AWARE THAT THE GOI WILL FIRST SHOP AROUND FOR BARGAINS AND / OR SOFT

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CREDIT TERMS. FORTUNATELY, HOWEVER, WESTINGHOUSE IS ALSO CONVINCED THAT ITS METAL PROCESSING TECHNOLOGY IS FAR MORE ADVANCED THAN ANY COMPARABLE EXPERTISE AVAILABLE IN THE USSR, UNITED KINGDOM AND FRANCE, THE CURRENT COMPETITORS IN THIS FIELD.

6. SO, ALTHOUGH UNDERSTANDABLY DISAPPOINTED WITH THE CHANGED
ATTITUDE OF THE MINISTRY OF DEFENSE AND PREPARED TO ACCEPT THE
FACT THAT INDIA WILL NOT BE ABLE TO BUY ITS SUPERALLOY PLANT,
WESTINGHOUSE FEELS IT STILL HAS REASONABLY GOOD PROSPECTS TO
SELL ITS TECHNOLOGY-- AT ITS PRICE AND ITS TERMS.
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